



TO: FINANCE COUNCIL

FROM: EXECUTIVE MEMBER FOR FINANCE AND GOVERNANCE ON BEHALF OF THE LABOUR GROUP

DATE: 28th FEBRUARY 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: General Fund Revenue Budget 2022/23 (and Draft Financial Strategy 2022/25)

1. PURPOSE

- 1.1 The purpose of this report is to recommend to Finance Council proposals for the Revenue Budget for 2022/23 together with a Financial Strategy for 2022/25. A report elsewhere on the Agenda for this meeting considers proposals for the Capital Programme for 2022/23.

2. RECOMMENDATIONS

2.1 Finance Council is recommended to:-

- a) acknowledging the impact of the increase in the National Living Wage as set out in the report, give delegated authority to the Strategic Director for Adults and Health, in consultation with the Executive Members for Adult Services and Prevention, and Finance and Governance, to agree the hourly rates and contract changes for Social Care Providers for 2022/23;
- b) approve the service investment proposals as set out in the report;
- c) approve the savings proposals as set out at **Appendix B**;
- d) note the estimated balance of reserves as at 31st March 2022 as shown at **Appendix C**;
- e) approve the General Fund Budget Requirement for 2022/23 as set out at **Appendix D** to this report;
- f) require each Portfolio to operate within the individual Portfolio Controllable Budgets for 2022/23 as set out at **Appendix D** and that these be cash limited and subject to regular monitoring and control;
- g) agree that the current Local Council Tax Support Scheme remains unchanged for 2022/23 and note the intention to undertake a review of the Scheme in the forthcoming year;

- h) approve an increase in the general Council Tax of 1.99% (reflecting a weekly increase of £1.25 for Band D Council Tax payers and of £0.83p for Band A Council Tax payers);
- i) approve an additional increase in Council Tax of 2.00% to contribute towards the additional costs of Adult Social Care;
- j) give approval to the Financial Strategy and Medium Term Financial Plan for 2022/25 as set out **Appendix F** and note that a further report on the implementation of the Strategy will be submitted to the Executive Board in June 2022.

3. BACKGROUND

- 3.1 The budget process is a key element of the Council's corporate planning process and, as part of the service and financial planning approach adopted by the Council, is a means of ensuring that resources are best placed to enable the Council to meet its objectives as set out in the Corporate Plan.
- 3.2 This reports sets out the proposed General Fund Revenue Budget and Capital Programme for 2022/23. In doing so, and for context, the report provides details of the Autumn Budget and Comprehensive Spending Review, as it impacts on Local Government, and information on the Local Government Finance Settlement, details of which were confirmed by the Secretary of State for the Department of Levelling Up, Housing and Communities (DLUHC) on 9th February 2022.
- 3.3 The development of the budget for 2022/23 is set against the backdrop of over a decade of austerity which has resulted in the Council experiencing one of the highest funding reductions of Unitary Councils across the Country over that period. This is despite being amongst the most deprived Boroughs according to the Indices of Multiple Deprivation.
- 3.4 Latterly, this position has been compounded by the deep impact of Covid-19 with Blackburn with Darwen experiencing some of the worst and enduring effects of the Pandemic. At the time of writing, the Pandemic remains with rates of infection in the Borough continuing to be a cause for concern and the pressure on the delivery of Council Services, both in terms of reductions in income and additional costs of both response to and recovery from the Pandemic, continuing to impact.
- 3.5 Underpinning the development of the budget for 2022/23 (and indeed the Council's Financial Strategy and Medium Term Financial Plan 2022/25) is the continuing impact of austerity. Although the Council's Core Spending Power for 2022/23 has increased, that increase is neither sufficient to make up for the funding reductions experienced by the Council since 2010 nor reflective of the significant changes in demand for services. As a consequence, the Council's Medium Term Financial Plan still shows a forecast funding deficit for which action will need to be taken to ensure the Council remains financially sustainable.

Autumn Budget and Comprehensive Spending Review 2021

- 3.6 Details of the Chancellor's Autumn Budget 2021 including the Comprehensive Spending Review for 2021 (CSR21) were announced on 27th October 2021. As anticipated, CSR21 set out Departmental Spending Limits for each Government Department from 2022/23 to 2024/25.

- 3.7 For Local Government, the headline announcement was an increase in Core Spending Power of an average of 3% in real-terms in each year of the CSR21. Excluding funding for social care reform, to fund the cost of expanding access to means-tested social care and capping lifetime care costs as announced in September 2021, the average real-terms increase the Core Spending Power for other services is just below 1.9%. This is below the 2.6% average real terms increase which the Local Government Association had lobbied for and below the 1.9% that the Institute for Fiscal Studies thought necessary for Local Government to maintain service provision.
- 3.8 The other key feature of the CSR21 settlement for Local Government is that the majority of the increase in Core Spending Power is expected to come from locally-raised Council Tax and Business Rates. The Office of Budget Responsibility (OBR) projects that Council Tax receipts will be 10.8% higher in 2024/25 than in 2019/20 partly because of the Government's decision to allow Local Authorities to increase Council Tax in general terms by 1.99% and the Social Care Precept by 1% in each year of the CSR21 period.
- 3.9 The generally accepted view is that the increase in Core Spending Power set out in CSR21 is unlikely to be enough to keep pace with rising demand for Adult Social Care, meaning further pressure on other services that have already borne the brunt of a decade of austerity. Equally, the increased reliance on Council Tax to fund services, given it is a regressive tax, is likely to mean those areas most in need such as Blackburn with Darwen will have the least available funding given the low taxable capacity of the Borough.

Local Government Finance Settlement 2022/23

- 3.10 The provisional Local Government Finance Settlement (LGFS) for 2022/23 was released for consultation by the Government on 16th December 2021. The details of the provisional Settlement and the Council's response to the consultation were provided in a report to the Executive Board in January 2022.
- 3.11 The final Settlement was confirmed on 9th February 2022. Despite CSR21 setting out a multi-year settlement for Local Government, as in recent years, the Government has chosen to provide Councils with a further one-year Settlement for 2022/23. As indicated previously, Local Government has lobbied consistently for a multi-year funding settlement to aid service and financial planning.
- 3.12 Details of the Council's settlement are provided below but in summary, the Council's Core Spending Power for 2022/23 will rise by 8.8% (compared to an average in increase of 7.4% for Local Government overall). This is predicated on the following assumptions:-
- an increase in the Council's Settlement Funding Assessment of 0.7%. The extent to which this will happen is dependent on the growth in the Council's amount of retained business rates;
 - an increase in Revenue Support Grant of 3.1% to £14.016m;
 - additional grant funding of c£8.051m (or 10.6%) when compared to the Council's Core Spending Power in 2021/22;
 - included in the additional grant funding are new grants - £516k for Market Sustainability and Fair Funding (for Adult Social Care) and £3.072m for the Services Grant;

- the Government's assumption that there will be an increase in the general rate of Council Tax of 1.99%, the Adult Social Care Precept of 2.0% (comprising 1% of unused taxable capacity from 2021/22 and 1% increase in 2022/23).

3.13 A full analysis of the Council's change in Core Spending Power for 2022/23 (when compared to 2021/22) is provided at **Appendix A**.

Statement on the robustness of the Council's budget calculations and the adequacy of financial reserves

3.14 As indicated in the legal implications section below, Section 25 of the Local Government Act 2003 requires the Council's Director of Finance, as the Officer having responsibility for the administration of the Council's financial affairs, to report to the Council on the robustness of the budget estimates and the adequacy of proposed financial reserves when determining its budget requirement under the Local Government Finance Act 1992.

3.15 This Statement is provided elsewhere on the Agenda for this meeting. The statement has been produced on the basis of the proposals set out in this report. It should be noted that, subject to Councillors' deliberations on the budget at this meeting, the Statement confirms that the budget presented here (and the Capital Programme for 2022/23 which is elsewhere on the Agenda) is considered to be robust.

3.16 Given the significant reduction in core government funding in recent years, the absence of any funding certainty over the medium term and the use of council reserves to balance the Council's budget, Councillors are asked to consider these statements fully in the context of the proposed budget and Medium Term Financial Plan.

3.17 As part of the preparatory work in relation to the statement on the adequacy of the Council's financial reserves, work has been undertaken to review the level of the Council's General Fund Working Balance. This review is undertaken annually and the outcome of this work is a proposal to maintain a Minimum Working Balance of c£6m. The rationale for this is provided at Appendix B to the report on the Robustness of Estimates.

4. RATIONALE

4.1 The Council has a statutory obligation to set a balanced General Fund Revenue Budget for 2022/23 by 11th March 2022.

5. KEY ISSUES

Funding Allocations 2022/23

5.1 On the basis of the Local Government Finance Settlement 2022/23 and the Council's own assessment of Retained Business Rates, Table 1 below summarises the estimate of Government funding for Blackburn with Darwen for 2022/23:-

Table 1: Estimate of Government Funding 2022/23 (and forecast to 2024/25)

	Actual Funding 2021/22 £000	Estimated Funding 2022/23 £000	Forecast Funding 2023/24 £000	Forecast Funding 2024/25 £000
Business Rates Retained (IABR*1)	20,545	18,185	20,245	20,658
Business Rates Top Up	24,275	24,275	24,688	25,182
Baseline Funding Assessment	44,820	42,460	44,933	45,840
Revenue Support Grant	13,597	14,016	14,016	14,016
Settlement Funding Assessment	58,417	56,476	58,949	59,856
Improved Better Care Fund	8,103	8,349	8,349	8,349
Social Care Grant	6,551	8,813	8,813	8,813
Market Sustainability and Fair Funding	-	516	-	-
BSF PFI Grant	8,472	8,472	8,472	8,472
Sub-total	81,543	82,626	84,583	85,490
Other Government Grants				
Under-indexing Business Rates	2,336	4,340	4,340	4,340
Other Business Rates s31 Grant	2,904	4,228	2,800	2,800
New Homes Bonus	1,006	1,006	-	-
Lower Tier Services Grant	334	341	341	341
Services Grant	3,072	3,072	3,072	3,072
Total Government Funding	91,195	95,613	95,136	96,043

*1 – Individual Authority Business Rates (IABR)

Business Rates Retained

- 5.2 The estimate of Business Rates Retained for 2022/23 in Table 1 above is the Council's own assessment of the amount of business rates the Council will retain from the net collectable Business Rates generated in the Borough (based on a 49% share, with the balance shared between the Lancashire Fire Authority (1%) and the Government (50%)). This is based on local knowledge of the Business Rates taxbase, anticipated growth/decline in the rateable value of properties, exemptions and reliefs.
- 5.3 The Council's assessment of Business Rates Retained compares to the Government's assessment as set out in the final Local Government Finance Settlement.

Business Rates Top Up

- 5.4 In simple terms, the Business Rates Top-Up is the amount payable to the Council to reflect the difference in the Council's Baseline Funding Assessment (the assessment of funding needed to deliver services (last undertaken in 2013/14)) and its ability to raise income from Business Rates (the Individual Authority Business Rates Assessment). This is a cash grant payable to the Council and for 2022/23 will be £24.275m (£24.275m in 2021/22).

Revenue Support Grant

- 5.5 Revenue Support Grant (RSG) is a general cash grant payable to the Council. Compared to the current financial year, for 2022/23 RSG has been increased by inflation of 3.0% and will be £14.016m (£13.597m in 2021/22).

Funding for Social Care

- 5.6 For a number of years, the Government has made available various ad-hoc grants to support the social care system. These are cash grants payable to local authorities for investment in Adult and Children's Social Care, either directly by the Council or as part of a pooling arrangement with the NHS. The amounts received by Blackburn with Darwen Council including the allocations for 2022/23 are shown in the table below:-

Table 2: Additional Grant Funding for Social Care (excl Social Care Precept)

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Adult Social Care	768	478	-	-	-	-
Improved Better Care Fund	4,307	5,901	7,339	8,104	8,104	8,349
Social Care Grant	-	-	-	4,925	6,551	8,813
Social Care Support Grant	-	-	1,306	-	-	-
Winter Pressures Grants	-	764	764	-	-	-
Market Sust/Fair Funding	-	-	-	-	-	516
Total	5,075	7,143	9,409	13,029	14,655	17,678

- 5.7 Table 2 above includes an additional £2.262m for Social Care and a new Market Sustainability and Fair Funding Grant with the Council's share being £516k. It is assumed that this is a one-off grant and according to Government guidance, it is intended to be used to:-

- conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it;
- engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market;
- strengthen capacity to plan for, and execute, greater market oversight (as a result of increased section 18(3) commissioning) and improved market management to ensure markets are well positioned to deliver on our reform ambitions; and
- use this additional funding to genuinely increase fee rates, as appropriate to local circumstances.

- 5.8 As Councillors will be aware, the Government has published a White Paper on reforms to the Adult Social Care system which sets out a 10 years vision for adult social care. These reforms are expected to be implemented from April 2023 and there is an expectation that new funding will be provided to Councils by the Government to fund this change. The extent to which any such funding will be sufficient to meet the cost of delivering the reforms will be a consideration in the development of the Council's budget for 2023/24.

New Homes Bonus

- 5.9 The New Homes Bonus (NHB) is now in its tenth year as part of the Local Government Finance system. The original policy intention of the NHB was to provide a financial incentive to local authorities to encourage the building of new homes and/or bringing empty homes back into use.

- 5.10 Despite consulting on proposals earlier this year to amend the NHB Scheme, the Government has decided to roll-forward the present scheme for a further financial year. As a consequence, rather than just providing for legacy amounts from previous years (£185k), the Government has provided NHB to reflect new housing and empty houses brought into use in the period to October 2021. This amounts to £820k giving an overall NHB payment of £1.006m for 2022/23.
- 5.11 It has been assumed that there will be no further NHB payments after 2022/23 although this is subject to the outcome of the Government's consultation on this matter and whether the NHB Scheme will be a feature of the future funding of Local Government.

Other Grants

- 5.12 As indicated in the table, the Government includes a number of other cash grants payable to the Council in the calculation of the Core Spending Power.

- ***Under-Indexing of Business Rates*** – this is a cash grant payable to the Council to reflect the Government's decision previously to not increase the national business rates multiplier by inflation (as is normally required by Business Rate legislation). The policy intention is to relieve businesses of the burden of additional business rates costs and the purpose of the grant is to compensate Councils for the loss of income that they would otherwise have received. The actual grant payable to the Council will be based on the performance of business rates during the year;
- ***Lower Tier Services Grant*** – This grant was first paid in the current financial year and was, when announced, badged as one-year only. Contrary to their initial view, the Government has chosen to pay Lower Tier Services grant again in 2022/23 and the Council will receive £341k;
- ***Services Grant*** – The Services Grant is a new grant for 2022/23. The Council will receive £3.072m (out of a total £822m) with the distribution of the grant based on the Council's Settlement Funding Assessment from 2013/14 (the last time the Council's funding was based on an assessment of its relative needs);

The Government has indicated that the grant is one-off and is not ringfenced. However, in doing so, it has set out a clear intention to retain the £822m allocated nationally for Local Government spending from 2023/24 and to work with the Sector on how best to use the funding from then onwards. For the purposes of the MTFP, it is assumed the Council will retain its share of this grant funding at 2022/23 levels.

Dedicated Schools Grant

- 5.13 Dedicated Schools Grant (DSG) is paid to the Council in support of the Local Authority's Schools Budgets. It comprises four blocks (Schools Block, High Needs Block, Early Years Block and Central School Services Block). It is the responsibility of the Council, in conjunction with their local Schools Forum, for determining the split of the funding between their own expenditure and the Individual Schools' Budgets.

5.14 For 2022/23, DSG totals £183.348m and is shown, by block and in comparison to 2021/22, in the table below:-

Table 3: Dedicated Schools Grant 2022/23

	2021/22 £000	2022/23 £000	Change £000
Schools Block	138,058	142,241	4,183
Central Services Block	2,151	1,944	(207)
High Needs Block	25,628	28,276	2,648
Early Years Block	11,816	10,887	(929)
Total	177,653	183,348	5,695

5.15 The following narrative explains the changes in the Block allocations:-

- The Schools Block is allocated through the National Funding Formula (NFF). Councils still have the ability to allocate their Schools Block to individual Schools through a local funding formula; that said, as reported previously, the Government has confirmed its intention that Councils will have to use the NFF for allocations to Schools (although the timescales for this have not been confirmed). In any event, Blackburn's allocation of the funding is broadly based on the NFF;
- the additional Schools Block funding reflects both an increase in the 'per unit' pupil funding and the expected number of pupils;
- in contrast, the Central Services Block which funds the Council's ongoing responsibilities for all Schools in the Borough has reduced due to a reduction in the 'per unit' pupil funding and the gradual reduction in funding for historic commitments as in previous years;
- The increase in the High Need Block reflects in the main additional investment of £780m (or 9.6%) nationally into the High Needs provision, when compared to 2021/22;
- Whilst the rates of funding for the Early Years Block have increased by c4%, the estimated number of children has reduced hence the reduction in the Block allocation.

5.16 In addition to the allocation above, the Government has provided (provisional) supplementary grant funding in 2022/23 for both the Schools Block (£3.990m) and the High Needs Block (£1.061m). This is described by Government as '*additional funding to provide support for the costs of the Health and Social Care Levy and wider costs*'.

5.17 As is standard practice, the allocation of Block Funding to each School as appropriate has been agreed with the Schools Forum and any changes that impact on the Council have been reflected in the General Fund Budget for 2022/23 and the Medium Term Financial Plan to 2025.

Public Health Grant

5.18 The allocations of Public Health Grant for 2022/23 were released on 7th February 2022. Blackburn with Darwen will receive £15.486m (compared to £15.063m in 2021/22), an increase of 2.8% when compared to the previous year.

5.19 Again, as in previous years, the Grant is ring-fenced for public health measures (although work is currently underway to determine what, if any, new burdens may need to be funded from the grant). For the purposes of the budget, it is assumed that the change in grant will have a neutral impact on the Council's General Fund budget.

Council Tax (as part of Core Spending Power)

5.20 The Government has assumed that the Council will raise £59.770m in Council Tax in 2022/23 as part of their assessment of the Core Spending Power. This is based on the following assumptions:-

- applying the average annual growth in the Council Tax Base between 2017/18 and 2021/22 to project growth in the tax base for 2022/23; and
- that the Council will increase its Council Tax in line with the maximum allowable level set out by the Council Tax Referendum Principles for 2022/23. That is 1.99% for general Council Tax and 1% for the Adult Social Care Precept. The Government has also indicated that Councils like Blackburn with Darwen, which did not use the full flexibility for the Adult Social Care Precept in 2021/22, can apply the balance in 2022/23. For Blackburn with Darwen, this is an additional 1%.

5.21 As indicated, these are the Government's assumptions. Proposals for Blackburn with Darwen's Council Tax for 2022/23 are set out elsewhere in this report.

Forecast General Fund Outturn 2021/22

5.22 At the meeting of the Executive Board on 10th February 2022, a report on the Council's budget position for the current financial year was considered.

5.23 Monitoring of the Council's Budget for 2021/22 will continue with any variations to the estimated year end position reported to the Executive Board as part of the normal monitoring procedures.

Development of the Base Budget 2022/23

5.24 The development of the General Fund Revenue Budget for 2022/23 has been against the backdrop of the continuing impact of the Covid-19 Pandemic along with a range of other matters, specific to Portfolios, details of which are provided below

5.25 Where there are ongoing impacts of Covid-19 on the Council's activities, whether this is additional costs due to the Council's response/recovery activities or it is shortfall income, unlike in the current financial year, the Government is not providing any additional funding to support local authorities. As a consequence, any such costs will have to be borne by the Council both from within existing budgets or from reserves.

5.26 As in previous years, work continues to review and realign budgets to service activity. This has been hampered to some extent by the impact of Covid-19 which in some areas is distorting what would be considered to be normal levels of activity. Examples include the additional pent-up demand in both Adults and Children's Services, higher than expected amounts of waste collection as people remain at home more frequently and lower attendance at the Council's leisure, culture and arts facilities.

- 5.27 Where it is considered necessary, adjustments have been made to Portfolio Budgets to reflect this as appropriate or amounts have been earmarked in reserve as contingent sums.

Adult Services and Prevention

- 5.28 During the year, whilst there have been demand and additional cost pressures on the commissioning budget, these have been offset by income from the NHS, both from the Discharge to Assess Scheme and Continuing Health Care contributions from the Blackburn with Darwen CCG. It should be noted that these additional income sources are considered to be one-off for 2021/22 and, unless any such funding is received in 2022/23, the Council is expected to be faced with the additional costs of rising demand and care prices.
- 5.29 Increasing costs and rising demand apply equally to the provision of domiciliary care and the cost of individual care packages due to the acuity of needs. In both cases, these pressures are likely to continue throughout the winter period and into the new financial year. Similarly, as a result of changes to discharge and joint funding pathways, the Portfolio is beginning to see an increase in referrals and care package costs reverting back to the Council to fund which will increase cost pressures in 2022/23.
- 5.30 Given the continuing impact of Covid-19, the Adult Services and Prevention Portfolio has benefited from Infection Control Grant to meet the cost of measures to prevent the spread of the disease. For 2022/23, the assumption is that this grant will not be available and the Council may need to curtail activity in this area as a consequence. The impact of this will depend largely on the prevalence of Covid-19 at that time.
- 5.31 The cost of commissioning budgets is impacted by a range of matters, not least the National Living Wage which is considered in more detail below.

Public Health and Wellbeing

- 5.32 As indicated above, the Public Health Grant for 2022/23 will continue to be used for public health interventions.
- 5.33 Leisure Centres and venues for hire continued to be impacted by the effects of the Covid-19 Pandemic. In the current year, there have been periods of lockdown when facilities have been closed to the public. Having re-opened in July 2021 following the end of most restrictions, work is underway to increase footfall. Indeed, as part of this strategy and as agreed by the Executive Board earlier this financial year, additional investment has been made available to refresh and replace the Gym Equipment at Blackburn and Witton Park Leisure Centres. This combined with significant promotional activity and reductions in Covid-19 restrictions means that Centre Users are starting to return to the facilities.
- 5.34 As with other areas of the Council that are dependent on increased usage of services to return income generating services to pre-Pandemic levels, this will be a key focus in 2022/23.

Children, Young People and Education

- 5.35 The financial position of the Children's, Young People and Education Service has seen a significant deterioration during 2021/22 when compared to the budget position for 2020/21. This is despite an additional £1.8m investment in the Service as part of the agreed budget for the year.
- 5.36 During 2021/22, the expenditure on Special Guardianship Orders (SGOs) has, as in previous years, continued to rise reflecting that this provides a better longer term outcome for children who would, otherwise, remain in the Council's care. Given the trajectory of expenditure on SGOs in recent years, along with a forecast of likely expenditure in 2022/23 onward given the number of Children subject to an SGO, the budget for this areas has been increased by £1m for 2022/23. This is to be funded from the additional social care grant received for 2022/23.
- 5.37 A further pressure in 2021/22 is the cost of placements. Whilst the budget for placements was increased in 2021/22, it is demand-led and the cost of placement depends largely on the needs of the child and also the availability of suitable places. At this stage, no additional funding has been provided to increase the budget for placements but it will be subject to closer monitoring and scrutiny during the year. And in this context, notably the Competition and Markets Authority (CMA) is undertaking a review of the Children's Social Care Sector to determine why there is a lack of available provision and why the Sector is faced with ever increasing costs.
- 5.38 The budget also includes support for Children's Centres reflecting that the previous plan to review and reconfigure how Children's Centres are operated has not been possible to due to the Pandemic. This matter will now be considered in the context of a review of the Early Help services provided by the Council with the prospect of additional funding being obtained from the Government's scheme to create Family Hubs.
- 5.39 As with Adult Social Care, the demand-led nature of Children's Services remains a key risk to the budget and will, therefore, need to be closely monitored during the year. In particular, whilst the number of Children in Our Care is relatively stable, the way in which they are cared for (whether fostering in-house, independent fostering, placement etc.) has a bearing on the Council's budget. As ever, in determining this, the needs of the child are paramount so regular monitoring of the budget is essential to manage pressures as they arise.
- 5.40 Finally, it is worth highlighting that as well as the CMA review referred to above, the MacAlister Review into Children's Social Care is ongoing and is a more fundamental review of the challenges facing the system and what can be done to transform how it works. It is expected the Review will conclude in the coming year and subject to the Government's response, this may have budgetary implications for the Council.

Environmental Services

- 5.41 As reported to the Executive Board as part of the regular budget monitoring reports, Environmental Services continues to be affected by the Covid-19 Pandemic. In particular, income from car parking, litter enforcement and taxi licencing have been significantly reduced; in part, these have been offset by additional income from recycling credits in Waste Disposal and an underspend in Grounds Maintenance.

- 5.42 The recovery of incomes streams is closely linked to the economic recovery of Town Centres. It is expected that, as the impact of the Pandemic starts to recede, there will be increased footfall in Town Centres (albeit with uncertainty as to whether it will return to pre-Pandemic levels). For the purposes of setting the budget for 2022/23, as in the current year, income budgets have been retained at their pre-Pandemic levels with the expectation that, whilst it is expected that some of these pressures will continue into the next financial year, they will provide a target for services to achieve.
- 5.43 Aside from the impact of the Pandemic, the Environment budget is subject to the normal operational pressures. Assumptions have been made about tonnages of waste expected and the inflationary impact on Waste budgets, not least the contract with Suez. An additional short term cost pressure is the net loss of income from Selective Licensing as the licences for the current schemes at Infirmary and Darwen expire but due to the pressures of the Pandemic, it has not been possible to undertake the work necessary to put in place replacement schemes; work on this matter is currently underway.
- 5.44 And, as previously reported to the Executive Board, it is proposed that an amount of £260k is included in the budget to support the delivery of the Climate Emergency Action Plan. Amongst a range of measures including undertaking a Citizens Inquiry on Climate Change. A further £40k will be provide to fund the cost of employing an additional Environmental Education Officer.

Growth and Development

- 5.45 Again, the Growth and Development Portfolio has been affected significantly by the Covid-19 Pandemic. In particular, Commercial and Markets income has been reduced due to the difficult trading conditions over the year and this is likely to remain an issue during 2022/23.
- 5.46 Looking ahead, a key focus for the Growth Team is the adoption of the Local Plan for the period to 2037 which, at the time of writing, is the subject of a final public consultation before submission to the Planning Inspectorate for examination later in the year. Funding of £127k (met from the Budget Strategy Reserve) has been included in the budget for 2022/23 to meet the costs of delivering this final stage of determining the Council's Development Plan.

Digital and Customer Services

- 5.47 The delivery of the Digital Strategy is key to the transformation of some Council Services. Implementing the Strategy requires significant capital investment, details of which can be found in the Capital Strategy and Programme report elsewhere on the Agenda for this meeting.
- 5.48 Underpinning this capital investment is a need to provide adequate revenue funding for changes in the way the Council's ICT systems are operating (and with it, how some services are delivered). To that end, and as approved previously by the Executive Board, funding of £285k has been included in the budget for 2022/23 to reflect the costs of MS365, the new HR Payroll System and the transition to Cloud-based networking.

Finance and Governance

- 5.49 The Finance and Governance Portfolio has not been immune from the impacts of Covid-19. In particular, due to the impact on the Town Centres, income in areas such as the Mall Shopping Centre and Car Park and tenanted properties has been significantly impacted. It is anticipated that these areas will be under pressure in 2022/23 but, as with other income streams, budgets have not been adjusted at this stage pending a review and realignment during the year.

Other Cost Pressures

- 5.50 The Council is subject to a range of other cost pressures, some of which are generic in nature (pay award, National Living Wage, non-pay inflation) and some specific.

Pay Award (and pay progression)

- 5.51 The Local Government Pay Award is determined in negotiations between the National Employers Organisations and the Trade Unions via the National Joint Council (NJC) for Local Government Services. At the time of writing, there has been no agreement on the pay award for 2021/22 and the Trade Unions are in the process of balloting their membership with a view to taking industrial action should that be considered necessary.

- 5.52 For 2022/23, provision has been made within the budget for a pay award of 2.00%. As in previous years, the proposed budget for 2022/23 also assumes that the cost of any incremental progression in pay will be absorbed within the individual Portfolio budgets.

National Living Wage

- 5.53 As Councillors may be aware, the Government is to increase the National Living Wage (for those aged 23 and over) by 6.6% with effect from April 2022 (with increases of between 4% and 12% for other age groups). Although not significant in the context of the Council's own workforce, the increase in the NLW has a significant impact on external providers, specifically those providing social care.
- 5.54 The Commissioning budgets included in the 2022/23 budget include provision for increases in Provider hourly rates arising from the increase in the NLW (and other inflationary changes) with effect from April 2022. However, the actual cost of this is the subject of negotiations between the Council and Providers which are ongoing and unlikely to be concluded by the time of Finance Council.
- 5.55 In view of this, and following previous practice, it is recommended that delegated authority is given to the Strategic Director for Adults and Health, in consultation with the Executive Members for Adult Services and Prevention and Finance and Governance, to agree the hourly rates and contract changes with Social Care Providers in 2022/23, payable from April 2022.

National Insurance

- 5.56 As Councillors will be aware, the rate of Employers National Insurance is due to increase from April 2022 by 1.25% as part of measures to provide additional funding for the health and social care system. Badged as the 'Health and Social Care' levy, provision of £411k has been included in the budget. According to the Government, the Council's financial settlement for 2022/23 includes funding to reimburse the Council for this cost.

General Inflation

- 5.57 Over recent years, the general rate of inflation (as measured by the Consumer Price Index (CPI)) has been relatively low; between 2017 and mid-2021, it has been well below the 2% target set by the Government for the Bank of England (BoE).
- 5.58 Towards the latter part of 2021, CPI has risen sharply to around 5.5% due mainly to higher fuel and energy prices. The BoE expect inflation to peak at around 6% in April 2022 but to fall back in the second half of 2022 although this is largely dependent on a positive outlook with the Covid-19 Pandemic; the emergence of the Omicron variant is an example of how that positive outlook has been affected by Covid-19.
- 5.59 Within the 2022/23 budget (and MTFP), provision has been made for inflation on specific areas of expenditure such as utilities, waste and for larger contracts where there are known pressures. Most other non-pay budgets are assumed to be cash limited requiring any inflation to be contained with existing budgets. That being said, this matter will remain under review as the year progresses given the difficulties of predicting rates of inflation in the current economic climate.

Debt Charges (Interest and Minimum Revenue Provision)

- 5.60 Elsewhere on the Agenda for this meeting is a report detailing the Council's proposed Capital Programme for 2022/23. The funding of the proposed Programme comes from a range of sources including borrowing. The costs of borrowing to the Council are known as Debt Charges and they are required to be funded from the General Fund Revenue Account.
- 5.61 The Council's Debt Charges (or cost of borrowing) for capital investment comprise two elements:-
- a) an interest cost arising from either new cash borrowing or the Council choosing to redeem investments (ie interest foregone) in order to have sufficient cash to meet capital payments when they are due;
 - b) a principal repayment (otherwise known as the Minimum Revenue Provision) required to reduce the net indebtedness of the Council.
- 5.62 The table below shows the forecast cost of borrowing over the Medium Term Financial Plan period:-

Table 4: Estimated Borrowing Costs 2022/23 to 2024/25

	2022/23 £000	2023/24 £000	2024/25 £000
Interest Costs	12,565	12,634	12,891
Minimum Revenue Provision (Principal)	6,422	6,691	6,691
Total	18,987	19,325	19,582

Budget Investment 2022/23

5.63 Acknowledging that the Council has been subject to over a decade of austerity, there are some areas of service where it is now considered should be subject to investment, albeit relatively modest in the context of the funding reductions the Council has experienced. Details of these proposals, which total almost £1.5m over the period to 2023/24, are set out in Table 5 below:-

Table 5: Budget Investments 2022/23

	Base Budget 2022/23 £000	Forecast 2023/24 £000
Highways - White Lining of Roads etc.	260	-
Re:fresh – Provision of Free Access to Leisure Facilities	265	-
Increase in Library Opening Hours ((2hrs per week)	40	40
Additional Litter Bin Emptying	48	48
Litter Picking (Additional 3FTE Staff)	90	90
Introduction of Shrub Pruning Team	80	80
Introduction of Park Attendants	80	80
Increase in Gully Cleansing Capacity	95	95
Ward Waste Collections (2 times per year)	35	35
Total Budget Investments	993	468

5.64 As the table indicates, these investments comprise some one-off measures and those that are recurring (although the extent of this will depend on the future funding settlement received by the Council).

Budget Efficiencies 2022/23

5.65 As part of the process of developing a balanced budget, one which is both compliant with the Council's statutory obligations but is equally sustainable and robust, it is proposed to implement a range of budget efficiencies. A summary of the proposals by Portfolio is provided in Table 6 below with more details provided at **Appendix B:-**

Table 6: Budget Efficiencies 2022/23

	Base Budget 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
Adults and Prevention	750	750	750
Children's and Young People	320	320	320
Environment	205	205	205
Digital and Customer Services	100	100	100
Finance and Governance	690	945	1,200
Total Savings	2,065	2,320	2,575

5.66 Subject to approval by the Council, the implementation of these proposals will commence in April 2022 to ensure delivery in the financial year. Delivery of the proposals will be subject to regular review as part of the normal monitoring reports considered by the Council's Executive Board.

Reserves and Balances

5.67 Details of the Council's Reserves and Balances are provided regularly in reports to the Council's Executive Board. An updated analysis of Reserves and Balances is now provided at **Appendix C** and this reflects the changes in reserves arising from this report. The strategy for the use of Reserves and Balances is as follows:-

- the **Minimum Working Balance** will be maintained at £6m. As Councillors will know, the Minimum Working Balance is held as a contingent sum to provide for unexpected and unforeseen circumstances and is part of the Council's various measures to maintain financial resilience;
- a **Budget Support Reserve** of £5m was established in 2021/22. This Reserve will be used to 'smooth' the impact of budget reduction measures over the life of the Medium Term Financial Plan. In 2022/23, an amount of £1.120m will be used to support the budget;
- an **'Invest to Save' Reserve** of £5m was also established in 2021/22. This reserve is to be used to provide funding to invest in activities specifically aimed at reducing the Council's net cost base (either by reducing expenditure, generating additional income or a combination of both). Use of the reserve will be subject to an appropriate business case. In 2022/23, an amount of £374m will be used to support the budget;
- Remaining **Specific Reserves (for discretionary use)** will only be used the purposes for which they have been set aside and will be subject to annual review. In 2022/23, it is estimated that £6.261m will be used to fund capital expenditure (as planned) and £5.471m will be used to meet the Collection Fund – Business Rates deficit in 2021/22.

5.68 In a report elsewhere on the Agenda for this meeting, the Director of Finance has provided a report on the adequacy of reserves as required by statute.

Council Tax 2022/23

Council Taxbase

- 5.69 The Council's Taxbase for 2022/23 for the purposes of Council Tax calculations has been agreed at 35,439.30.

Local Council Tax Support Scheme

- 5.70 In the light of current economic circumstances, other than reflecting normal up-rating of benefit amounts, it is not proposed to make any changes to the Council's current Local Council Tax Support Scheme for 2022/23.

Council Tax - General

- 5.71 As set out above, the referendum threshold for general Council Tax, set by the Government, remains at 2.0% for 2022/23; the Government's assumption in the calculation of the Council's Core Spending Power is an increase in Council Tax of 1.99%. In view of this, it is recommended that the general Council Tax be increased by 1.99% in 2022/23.

Council Tax – Adult Social Care Precept

- 5.72 As with the Council Tax – General, the Government's calculation of the Council's Core Spending Power for 2022/23 assumes that all Councils with a responsibility for Adult Social Care will increase their Council Tax by 1.0% in 2022/23. In addition, as Blackburn with Darwen Council did not fully use the flexibility made available by the Government to increase the Social Care Precept by 3.0% in 2021/22 – an increase of 2.0% was applied – the Government has indicated that the remaining 1.0% can be applied in 2022/23.
- 5.73 In view of this, it is recommended that the Social Care Precept for 2022/23 be increased by 2.0%.

Base Budget 2022/23 Summary

- 5.74 Taking into account all of the matters considered above, the proposed General Fund Budget for 2022/23 is set out at **Appendix D** with a summary provided in Table 7 below:-

Table 7: General Fund Budget for 2022/23

	Base Budget 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
Portfolio Budgets	130,938	129,970	129,625
Corporate Income and Expenditure	19,065	21,036	28,215
Net Expenditure	150,003	151,006	157,840
Government Funding (see Table 1)	(82,626)	(84,583)	(85,490)
Collection Fund Deficit (net)	6,104	305	(765)
Contribution from Reserves/Balances (net)	(13,146)	(1,388)	(960)
Council Tax Requirement *1	(60,335)	(62,455)	(64,645)
Budget Gap	-	2,885	5,980

*1 – Including Town and Parish Council Precepts

- 5.75 For information, **Appendix E** provides a reconciliation of the budget deficit for 2022/23 as reported to Finance Council on 1st March 2021 to the balanced budget position shown in the table above.
- 5.76 As the Table indicates, on the basis of the proposals set out in this report, the Council's budget is balanced in 2022/23. There remains, however, a budget gap over the medium term of c£6.0m.

Capital Strategy and Capital Programme

- 5.77 A report on the Capital Strategy and Capital Programme for 2022/25 is provided elsewhere on the Agenda for this meeting.

The Financial Strategy (and Medium Term Financial Plan) 2022/23 to 2025/26

- 5.78 Agreement to the Council's General Fund Revenue Budget for 2022/23 (and the Capital Programme for 2022/23) should be considered in the context of the Council's medium term financial position. Details of this are provided in the Council's draft Financial Strategy (and Medium Term Financial Plan) 2022/23 to 2024/25 which is provided at **Appendix F** to this report.
- 5.79 As indicated above, whilst the proposed budget for 2022/23 is balanced, there remains a budget gap of c£6.0m to 2024/25. The purpose of the draft Financial Strategy, amongst other matters, is to provide a broad framework by which the Council can implement measures to deal with this gap. The Strategy is based around the following themes:
- **Growing** the Council's income using the funding mechanisms now in place for local government to increase the Borough's taxable capacity, in particular the Business Rates Retention Scheme. This means that the Council continue to consider ways in which it can increase income from business and housing growth to ensure that funding for services can be maintained and increased;
 - **Charging** for services, raising income which will mean that it is possible to continue providing services that resident's value. This will mean continuing to review the level of fees and charges, reducing the subsidy on some services and considering the introduction of new fees and charges. It will also include reviewing the level of discretionary business rates and council tax exemptions/discounts and the local scheme of Council Tax Support;
 - **Saving** costs by, for example, reviewing how the Council delivers services, doing things differently and more efficiently, scaling services to appropriate levels within the resources available to the Council and working with partners, including the voluntary sector, local town and parish councils to sustain local facilities and services. At the heart of this approach is a transformation programme that will consider how best to deliver services that provide the highest value for money;
 - **Stopping** spending on lower or non-priority areas. This could mean, for example, that the Council works with other partners to deliver services that would otherwise be delivered by the Council.

5.80 Subject to Finance Council's agreement to the draft Financial Strategy, this will provide the basis of the development of the Council's financial plans in support of the delivery of the Corporate Plan and achieving a balanced and sustainable budget.

6. POLICY IMPLICATIONS

6.1 The Council's budgets (revenue and capital) support the delivery of services in pursuance of the vision, objectives and priorities set out in the Council's Corporate Plan.

7. FINANCIAL IMPLICATIONS

7.1 The financial implications are as given in the report.

8. LEGAL IMPLICATIONS

8.1 The Council must calculate and approve its Council Tax Requirement for the forthcoming financial year in accordance with s32 and s43 of the Local Government Finance Act 1992 (LGFA), annually.

8.2 Section 25 of the Local Government Finance Act 2003 also requires the Officer having responsibility for the administration of the Council's financial affairs (the Director of Finance at this Council) to report to the Council on the robustness of the budget estimates and the adequacy of financial reserves when determining its budget requirement under the LGFA 1992. This is considered in a report elsewhere on the Agenda for this meeting.

9. RESOURCE IMPLICATIONS

9.1 There are no other resources implications arising from the contents of this report.

10. EQUALITY AND HEALTH IMPLICATIONS

10.1 All proposals in this report are subject to an Equality Impact Assessment as appropriate. Other than that, there are no equality and health implications arising from the contents of this report.

11. CONSULTATIONS

11.1 The Council regularly undertakes consultation with residents, businesses, partners and stakeholders. That said, normal consultation processes have been hampered by the impact of the Covid-19 pandemic, both in terms of the capacity available to conduct such consultations but also the ways in which consultation have taken place.

11.2 Where it has been possible, consultation exercises have been conducted with our staff and residents and businesses across the borough through postal surveys and via on line surveys to find out opinions on Council Services. The most recent examples of this include the Residents Survey, consultation on the Local Plan development and, imminently, consultation on the development of the Corporate Plan.

11.3 This feedback helps to shape the Budget, the MTFs and the Capital Programme proposals.

Appendices

Appendix A - Analysis of Blackburn with Darwen's Core Spending Power

Appendix B - Budget Efficiency Proposals 2022/23

Appendix C - Estimated Balances and Reserves as at 31st March 2022

Appendix D - Draft General Fund Revenue Budget for 2022/23

Appendix E - Reconciliation of Medium Term Financial Plan 2022/23 (March 2021 to February 2022)

Appendix F - Draft Financial Strategy (and Medium Term Financial Plan) 2022/23 to 2024/25

VERSION:	1
CONTACT MEMBER	Councillor Vicky McGurk Executive Member – Finance and Governance
DATE:	28 th February 2022